

Securities and Exchange Commission

§ 200.735-3

filed by the complainant within 90 days of receipt from the agency of the letter required by § 200.670(g). The agency may extend this time for good cause.

(i) Timely appeals shall be accepted and processed by the head of the agency.

(j) The head of the agency shall notify the complainant of the results of the appeal within 60 days of the receipt of the request. If the head of the agency determines that additional information is needed from the complainant, he or she shall have 60 days from the date of receipt of the additional information to make his or her determination on the appeal.

(k) The time limits cited in paragraphs (g) and (j) of this section may be extended with the permission of the Assistant Attorney General.

(l) The agency may delegate its authority for conducting complaint investigations to other Federal agencies, except that the authority for making the final determination may not be delegated to another agency.

[53 FR 25882 and 25885, July 8, 1988, as amended at 53 FR 25882, July 8, 1988; 73 FR 32226, June 5, 2008]

§§ 200.671-200.699 [Reserved]

Subpart M—Regulation Concerning Conduct of Members and Employees and Former Members and Employees of the Commission

AUTHORITY: 15 U.S.C. 77s, 77sss, 78w, 80a-37, 80b-11; E.O. 11222, 3 CFR, 1964-1965 Comp., p.36; 5 CFR 735.104, unless otherwise noted.

SOURCE: 45 FR 36064, May 29, 1980, unless otherwise noted.

§ 200.735-1 Purpose.

This subpart sets forth the standards of ethical conduct required of members, employees and special Government employees, and former members and employees of the Securities and Exchange Commission. It is a further revision of a comprehensive conduct regulation first adopted by the Commission in 1953 “to restate the ethical principles which it believes should govern and have governed the conduct of members and employees and former

members and employees of the Commission.”¹ This revision is necessary to provide members, employees, special Government employees and former Commission members and employees with a comprehensive statement of standards of conduct which are dictated by applicable Federal law, Executive orders, and the Commission’s own requirements.

§ 200.735-2 Policy.

(a) The Securities and Exchange Commission has been entrusted by Congress with the protection of the public interest in a highly significant area of our national economy. In view of the effect which Commission action frequently has on the general public, it is important that members, employees and special Government employees maintain unusually high standards of honesty, integrity, impartiality and conduct. They must be constantly aware of the need to avoid situations which might result either in actual or apparent misconduct or conflicts of interest and to conduct themselves in their official relationships in a manner which commands the respect and confidence of their fellow citizens.

(b) For these reasons, members, employees and special Government employees should at all times abide by the standards of conduct set forth in this subpart, the canons of ethics for members of the Securities and Exchange Commission (subpart C of this part 200) and, in the case of a professional person, the ethical standards applicable to the profession of such person.

§ 200.735-3 General provisions.

(a)(1) In considering the prohibitions of this section, members and employees must constantly be aware that the provisions here enumerated set forth

¹The last major revision of the Conduct Regulation was done in 1966 to implement Executive Order 11222, May 8, 1965, and part 735 of the Civil Service Commission regulations (5 CFR part 735) adopted pursuant thereto. It also contains references to the several applicable statutes governing employee conduct, particularly Pub. L. 87-849 (76 Stat. 1119, 18 U.S.C. 201 *et seq.*), and the “Code of Ethics for Government Service,” House Concurrent Resolution 175, 85th Congress, 2d session (72 Stat. B 12).

standards of conduct which are broader than the specific applications stated in the rules which follow. Therefore, members and employees should look to these general prohibitions when assessing the advisability of a particular course of conduct. The broadly stated provisions of this rule are aimed at eliminating the appearance of impropriety as well as any actual wrongdoing.

(2) Accordingly, a member or employee should avoid any action, whether or not specifically prohibited by law or regulation (including the provisions of this subpart), which would result in or might create appearance of, among other things:

- (i) Using public office for private gain;
- (ii) Giving preferential treatment to any organization or person;
- (iii) Losing complete independence or impartiality;
- (iv) Making a Government decision outside official channels; or
- (v) Affecting adversely the confidence of the public in the integrity of the Government.

(3) While provisions applicable to all employees of the Commission are outlined in this regulation, certain Offices or Divisions for management reasons may require more stringent regulations in certain areas. These may be imposed by Division Directors, Office Heads or Regional Directors with the consent of the Chairman and the approval of the Office of Government Ethics. Should such additional regulations be imposed, all employees affected must be notified ten days before the effective date of the restriction or at the time of their employment.

(b) A member or employee of the Commission shall not:

(1) Engage, directly or indirectly, in any personal business transaction or private arrangement for personal profit the opportunity for which arises because of his or her official position or authority, or that is based upon confidential or nonpublic information which he or she gains by reason of such position or authority.²

²Detailed provisions regarding outside or private employment and transactions in securities and commodities are set forth in §§ 200.735-4 and 200.735-5, respectively. Fur-

(2) Solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, service, or any other thing of monetary value from any person with whom he or she transacts business on behalf of the United States:

(i) Who has, or is seeking to obtain, contractual or other business or financial relations with the Commission;

(ii) Who conducts operations or activities regulated by the Commission; or

(iii) Who has interests that may be substantially affected by the performance or non-performance of his or her official duty.

(3) The restrictions of paragraph (b)(2) of this section do not prohibit members and employees from the following:

(i) The acceptance of food and refreshments, not lavish in kind, offered free in the course of a meeting or other group function, not connected with an inspection or investigation, at which attendance is desirable because it will assist the member or employee in performing his or her official duties. Members shall determine for themselves and their staffs the propriety of accepting such invitations. Division Directors, Office Heads, and Regional Directors are authorized to make such determinations for themselves and their subordinates. Staff members are required to advise their Division Director, Office Head, or Regional Director of invitations received from entities

ther provisions regarding use and disclosure of confidential information are set forth in paragraph (b) of this section and in the note appended thereto.

Members of the Commission are subject also to the following prohibition in section 4(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78d(a)): “* * * No Commissioner shall engage in any other business, vocation, or employment than that of serving as Commissioner, nor shall any Commissioner participate, directly or indirectly, in any stock market operations or transactions of a character subject to regulation by the Commission pursuant to this title * * *.” This does not preclude Commissioners from engaging in securities transactions. *See* Opinion letter dated February 11, 1975, sent by the Office of the General Counsel to David Reich, Ethics Counselor at the Civil Service Commission. In addition, members of the Commission are subject to the requirements of Executive Order 11222 of May 8, 1965.

described in paragraph (b)(2) of this section.

(ii) The acceptance of items of value when the circumstances make it clear that it is family or personal relationships rather than the business of the persons concerned which govern and are the motivating factors.

(iii) The acceptance of unsolicited advertising or promotional material, such as pens, pencils, notepads, calendars and other items of modest value.

(iv) The acceptance of meals and refreshments as provided to all panelists, when participating as a panelist in an educational program.

(v) The acceptance of gifts given for participation in an educational program when they are (A) of modest value; or (B) provided to all participants in the program; or (C) in the nature of a remembrance traditional to the particular sponsor institution.

(vi) For purposes of this subpart, *person* means an individual, a corporation, a company, an association, a firm, a partnership, a society, a joint stock company; or any other organization or institution or anyone who acts for such a person in a representative capacity.³

(4) Solicit contributions from another employee for a gift to an employee in a superior official position. An employee in a superior official position shall not accept a gift presented as a contribution from employees receiving less salary than himself or herself. An employee shall not make a dona-

tion as a gift to an employee in a superior official position (5 U.S.C. 7351). However, this paragraph does not prohibit the occasional giving of gifts of modest value to an employee in a superior position or the receipt of such gifts by a superior or the use of completely voluntary contributions of nominal amounts by employees within the Commission to establish funds for the limited purpose of providing token remembrances or gifts of modest value to an employee in a superior position on special occasions.

(5) Accept from a foreign government a gift, decoration or other thing of more than minimal value except in accordance with the provisions of 5 U.S.C. 7342.

(6) Discuss or entertain a proposal for future employment by any person outside the Government with whom he or she is personally and substantially involved in transacting business on behalf of the United States.⁴

(i) If an employee wishes to discuss future employment with another Government agency, this fact should be disclosed to the employee's Division Director, Office Head or Regional Director prior to any discussion regarding employment, if at that time the employee is representing the Commission in a particular matter in which the other agency is taking a position adverse to the Commission.

(7)(i) Divulge to any unauthorized person or release in advance of authorization for its release⁵ any nonpublic Commission document, or any information contained in any such document or any confidential information: (A) In contravention of the rules and regulations of the Commission promulgated under 5 U.S.C. 552, 552a and 552b; or (B) in circumstances where the Commission has determined to accord such information confidential treatment.

³Members and employees of the Commission are subject also to provisions of the Federal criminal code which prohibit, (1) any officer or employee of the United States from asking, accepting or receiving any money or other thing of value in connection with any matter before him or her in his or her official capacity, (18 U.S.C. 203); and (2) the compensation of government employees for services to the government by entities other than the United States (18 U.S.C. 209). In addition, members are prohibited by 5 CFR 735.203(c) from receiving compensation or anything of monetary value for any consultation, lecture, discussion, writing, or appearance, the subject matter of which is devoted substantially to the responsibilities, programs, or operations of the Commission or which draws substantially on official data or ideas which have not become part of the body of public information. See also 17 CFR 200.735-4.

⁴Detailed provisions regarding negotiations for future employment are set forth in § 200.735-7.

⁵In Section 171 of the Commission's Manual of Administrative Regulations the Commission's policy on making available nonpublic information to Federal, State and foreign government authorities, national securities exchanges and national securities associations is outlined.

(ii) Except where the Commission or the General Counsel, pursuant to delegated authority, has previously granted approval or in relation to a Commission administrative proceeding or a judicial proceeding in which the Commission, or a present or former Commissioner, or present or former member of the staff, represented by Commission counsel, is a party, any officer, employee or former officer or employee who is served with a subpoena requiring the disclosure of confidential or non-public information or documents shall, unless the Commission or the General Counsel, pursuant to delegated authority, authorizes the disclosure of such information or documents, respectfully decline to disclose the information or produce the documents called for, basing his or her refusal on this paragraph.

(iii) Any member, employee or former member or employee who is served with such a subpoena not covered by the exceptions in paragraph (b)(7)(ii) of this section shall promptly advise the General Counsel of the service of such subpoena, the nature of the information or documents sought, and any circumstances which may bear upon the desirability in the public interest of making available such information or documents.⁶ The Commission or the General Counsel, pursuant to delegated authority, shall authorize the disclosure of non-expert, non-privileged, factual staff testimony and the production of non-privileged documents when validly subpoenaed.

(8) Act in any official matter with respect to which there exists a personal

interest incompatible with an unbiased exercise of official judgment.⁷

(9) Have direct or indirect personal, business or financial affairs which conflict or appear to conflict with his or her official duties and responsibilities.

(10)(i) Use, or allow the use of, directly or indirectly, Government property of any kind, including property leased to the Government, for other than officially approved activities. *Officially approved activities* for the purpose of this section are those activities which are part of an employee's official duties or are approved by the employee's Division Director, Office Head or Regional Director as being sufficiently related to the employee's official duties, or important to the interests of the Commission to warrant the use of Commission facilities for their accomplishment. Division Directors, Office Heads and Regional Directors may, for their own activities meeting the same criteria, obtain the concurrence of the Executive Director.

(ii) An employee has a positive duty to protect and conserve Government property, including equipment, supplies, and other property entrusted or issued to him or her.

(11) Participate, while on Government-owned or leased property or while on duty for the Government, in any gambling activity, including the operation of a gambling device, in conducting a lottery or pool, in a game for money or property, or in selling or purchasing a numbers slip or ticket.

(12) Engage in unlawful or unethical conduct, or other conduct prejudicial to the Government.

[45 FR 36064, May 29, 1980; 45 FR 40975, June 17, 1980, as amended at 50 FR 23287, June 3, 1985; 53 FR 17458, May 17, 1988; 54 FR 33500, Aug. 15, 1989; 73 FR 32226, June 5, 2008]

§ 200.735-4 Outside employment and activities.

(a) No member or employee shall permit his or her name to be associated in any way with any legal, accounting or other professional firm or office.⁸

⁷Section 200.735-6 of this subpart provides a procedure for relieving employees from assignments in certain cases, including those covered by paragraph (b)(5) of this section.

⁸With respect to members, this paragraph supplements the statutory prohibition

⁶Detailed prohibitions regarding disclosure or use of confidential or nonpublic information are set forth in Rule 122 (17 CFR 230.122) under the Securities Act of 1933; section 24(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78x) and Rule 0-4 (17 CFR 240.0-4); and Rule 24(b)(2) (17 CFR 240.24b-2), thereunder; section 22(c) of the Public Utility Holding Company Act of 1935 (15 U.S.C. 79y) and Rule 104 thereunder (17 CFR 250.104); section 45(a)(1) of the Investment Company Act, and section 210(b) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-10). *But see*, section 171 of the Administrative Manual which authorizes the staff to divulge certain nonpublic information without Commission approval (n. 5, *supra*).

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(b)(1) No employee shall have any outside or private employment, activity, or affiliation incompatible with concurrent employment by the Commission. Incompatible activities include but are not limited to

(i) Employment or association with any securities exchange, association of securities dealers, or other self-regulatory organization either registered under the Securities Exchange Act of 1934 or otherwise involved with the securities industry, any registered broker, dealer, registered municipal securities dealer, public utility holding company, investment company, investment adviser, securities information processor, transfer agent, clearing agency or other persons who are subject to regulation by the Commission, or where the facts relating to a particular employment would create an appearance of impropriety, because the employment is directly or indirectly related to the issuance, sale, purchase or investment of securities;

(ii) Legal, accounting, or engineering work for compensation involving matters in which the Federal government may be significantly interested;

(iii) Acceptance of a fee, compensation, gift, payment of expense, or any other thing of monetary value in circumstances in which acceptance may result in or create the appearance of conflicts of interest;

(iv) Outside employment or activity which impairs the employee's mental or physical capacity to perform his or her Commission duties and responsibilities in an acceptable manner;

(2) For the purposes of this paragraph (b), the private employment of an employee's spouse, or other member of his or her immediate household with any securities exchange, association of securities dealers, or other self-regulatory organization either registered under the Securities Exchange Act of 1934 or otherwise involved in the securities industry, any registered broker, dealer, registered municipal securities

against outside employment contained in section 4(a) of the Securities Exchange Act of 1934, quoted in footnote 2. Except as otherwise indicated, the remaining provisions of this section are not made applicable to members in view of the provisions of section 4(a) of the Securities Exchange Act of 1934.

dealer, public utility holding company, investment company, investment adviser, securities information processor, transfer agent, clearing agency or other persons who are subject to regulation by the Commission, or where the particular employment is directly related to the issuance, sale, purchase or investment of securities is deemed to be incompatible with the employee's concurrent employment by the Commission if the duties and activities incident to such employment relate directly to the official activities of the Commission employee, except as determined otherwise by the Commission in a specific case.

(i) *Member of his or her immediate household* is defined for the purposes of this paragraph as a resident of the employee's household who is related to the employee by blood or marriage.

(3) No employee shall accept or perform outside employment prohibited by law, regulations of the Office of Personnel Management or the rules in this subpart.

(4) No employee shall receive any salary or anything of monetary value from a private source as compensation for his or her services to the Government (18 U.S.C. 209), except as otherwise provided by law.

(5) The Commission encourages employees to engage in teaching, lecturing, and writing activities with or without compensation.⁹ In participating in such activities, employees should be guided by the following:

(i) No teaching, lecturing, or writing should be engaged in if prohibited by law, Executive order, Office of Personnel Management regulations, or the rules in this subpart.

(ii) No teaching, lecturing, or writing should be engaged in (including for the purpose of the special preparation of a person or class of persons for an examination of the Office of Personnel Management or Board of Examiners for the Foreign Service) that depends on information filed with the Commission, or obtained by the Commission in an investigation or otherwise, or generated

⁹As to employees, while the receipt of honoraria is discouraged (See 17 CFR 200.735-4(b)(7)), that rule is not applicable to the receipt of compensation for teaching.

within the Commission which is non-public, unless the Commission gives formal approval for the use of such nonpublic information on the basis that the use thereof is in the public interest.¹⁰

(6)(i) Subject to the specific prohibition and requirements set forth below, the Commission may accept payment or reimbursement in cash or in kind, for travel and subsistence expenses actually incurred by Commission members and employees, while on official duty status, in connection with the participation of such members and employees in conferences, proceedings, meetings, seminars, and educational programs concerning the functions and responsibilities of the Commission and related topics.

(ii)(A) The Commission shall accept no payment or reimbursement for expenses described in paragraph (b)(6)(i) of this section from or in connection with a conference sponsored by:

(1) A person directly required to file reports or registration statements with the Commission, or

(2) A person directly or indirectly regulated by the Commission, or

(3) Any association or other group composed predominantly of persons regulated by the Commission. *Provided, however,* That the Chairman may authorize the Commission to accept payment or reimbursement from such a group. In determining whether to authorize such payment or reimbursement, the Chairman shall consider the benefits to the Commission and the public of participation in the particular program and the possibility of any appearance of impropriety.

(B) For purposes of this section, the phrase *person regulated by the Commission* means all persons whose activities are directly regulated by, or who are

required to register with, the Commission, including but not limited to, such persons as brokers or dealers in securities, national securities exchanges, national securities associations, investment companies, investment advisers, public utility holding companies, and any self-regulatory organization, as that term is defined in section 3 of the Securities Exchange Act of 1934, 15 U.S.C. 78(c).

(iii)(A) Subordinate members of the staff who are invited to participate in programs which offer payment or reimbursement meeting the criteria of paragraph (b)(6)(i) of this section must, prior to participation, obtain the written approval of their Division Director, Office Head, or Regional Director to participate in the program and the written approval of the Chairman, if paragraph (b)(6)(ii)(A)(3) of this section applies. If paragraph (b)(6)(ii)(A)(3) of this section does not apply, the Executive Director shall determine in writing whether the Commission will accept the payment or reimbursement.

(1) In acting on requests to participate, Division Directors, Office Heads, and Regional Directors shall consider:

(i) The benefit to the Commission and the public of participation; (ii) the expertise of the proposed participant; and (iii) the appropriate allocation of resources.

(2) In determining whether the Commission shall accept payment or reimbursement, the Executive Director shall consider the possibility of any appearance of impropriety.

(B) Division Directors, Office Heads, and Regional Directors must, prior to participation, obtain the written approval of the Chairman, if paragraph (b)(6)(ii)(A)(3) of this section applies. If paragraph (b)(6)(ii)(A)(3) of this section does not apply, the Executive Director shall determine, in writing, considering the possibility of any appearance of impropriety, whether the Commission will accept the payment or reimbursement. Division Directors, Office Heads, and Regional Directors shall make the determinations specified in paragraph (b)(6)(iii)(A)(1) of this section as to their own participation.

(C) Except if paragraph (b)(6)(ii)(A)(3) of this section applies, each Commissioner shall determine for himself or

¹⁰Since members of the Commission are covered by section 401(a) of Executive Order 11222, they are prohibited by Civil Service Regulations (5 CFR 735.203(c)) from receiving compensation or anything of monetary value for any consultation, lecture, discussion, writing, or appearance the subject matter of which is devoted substantially to the responsibilities, programs, or operations of their agencies, or which draws substantially on official data or ideas which have not become part of the body of public information.

¹¹ [Reserved]

herself whether payment or reimbursement for his or her expenses incident to participation in programs meeting the criteria of paragraph (b)(6)(i) of this section should be accepted by the Commission. Notice of each decision shall be sent to the Executive Director.

(D) Whenever it is determined, pursuant to paragraphs (b)(6)(iii) (A), (B), or (C) of this section that the Commission will accept a particular payment or reimbursement, the Executive Director shall forward notice of that decision to the Public Reference Room, Washington, DC, for insertion in a public file.

(iv) Payment or reimbursement shall not be accepted for expenses which are unreasonable or lavish.

(v) On a quarterly basis, the Commission shall publish in the *SEC Docket* a compilation of payments and reimbursements accepted.

(vi) The Commission's acceptance from any person of payment or reimbursement for the expenses of a spouse or traveling companion accompanying a member or employee is prohibited. If a staff member wishes to participate in a program which offers payment or reimbursement meeting the criteria of paragraph (b)(6)(i) of this section and acceptance would not be prohibited by paragraph (b)(6)(ii) of this section, but is denied approval in accordance with paragraphs (b)(6)(iii)(A) or (B) of this section, or wishes to accept reimbursement for the travel expenses of his or her spouse or traveling companion, the staff member may participate in the program and accept such reimbursement personally, *Provided*, That:

(A) No reimbursement for travel expenses may be accepted from a person who does, or is seeking to do, business with the Commission, is regulated directly or indirectly by the Commission, is registered with the Commission, or has interests which may be substantially affected by the official's performance or non-performance of his or her official duties.

(B) No reimbursement may be accepted for the travel expenses of an employee's spouse or traveling companion unless the prior written approval of the General Counsel is obtained. Under appropriate circumstances, such as programs where participants are expected

to engage in social activities, the General Counsel may approve acceptance upon written application.

(C) A copy of the General Counsel's approval and notice of the amount of payment or reimbursement accepted from the sponsor must be sent to the Executive Director for inclusion in the public file in accordance with paragraph (b)(6)(iii)(D) of this section.

(D) Such staff member's participation and travel occur only while on annual leave, approved in accord with regular leave procedures. *Note* 7 CFR 200.735-4(e)(2)(ii).

(vii) Members or employees who are participating in a program meeting the criteria of paragraph (b)(6)(i) of this section, which is sponsored by a person determined by the Secretary of the Treasury to be a tax-exempt organization pursuant to 26 U.S.C. 501(c)(3), and for which reimbursement for the member's or employee's participation will be accepted by the Commission, may, while on official duty, accept from the sponsoring entity *bona fide* reimbursement for actual expenses for travel and necessary subsistence for a spouse or traveling companion *Provided* that the procedures detailed in paragraphs (d)(6)(vi) (A)-(C) of this section are followed.

(7) The provisions of this paragraph (b) and §200.735-3(b)(2) do not preclude a member or employee from:

(i) Participation in the activities of national or State political parties not proscribed by law;

(ii) Participation in the affairs of, or acceptance of an award for a meritorious public contribution or achievement given by, a charitable, religious, professional, social, fraternal, non-profit educational, recreational, public service, or civic organization.

(8)(i) As a matter of general policy, the Commission discourages the acceptance of honoraria or similar fees and payments which are given for publications, speeches or lectures based on the official duties of the employee. In accord with this policy, no member or employee may accept such an honorarium unless written approval is obtained in advance from the Commission's General Counsel, subject to the

general review of the Commission. Requests for such approval should be submitted to the General Counsel in writing and should include a statement in support of the request.

(ii) Honoraria which are most likely to be deemed acceptable are those which appear to be remuneration for teaching. An employee may not, under any circumstances, accept an honorarium from any person from whom reimbursement for travel expenses is prohibited by paragraph (b)(6)(ii) of this section. In any event an employee may not accept an excessive honorarium as described in 2 U.S.C. 441(i). This section does not preclude the acceptance of a modest gift for participation as a speaker, as provided in Rule 3.

(c) No employee shall appear in court or on a brief in a representative capacity (with or without compensation) or otherwise accept or perform legal, accounting, engineering, or similar professional work, unless specifically authorized to do so by the Commission. Acceptance of a forwarding fee shall be deemed to be within the foregoing prohibition. As a matter of general policy, outside or private professional work or practice by the staff is discouraged and only in unusual cases or circumstances will it be authorized. However, the Commission encourages its employees, in off-duty hours and consistent with official responsibilities, to participate, without compensation, in programs to provide legal or other appropriate assistance and representation to indigents.¹² Such participation may include limited appearances in court and on briefs when required in connection with such programs. However, such participation may not involve any activities which are prohibited by law, Executive orders, Office of Personnel Management regulations, or this subpart M.¹³ For example, 18 U.S.C. 205

prohibits a Federal employee from appearing in court in a matter in which the United States has an interest (other than on behalf of the United States), without regard to compensation.

(1) The provisions of this paragraph (c) and §200.735-3(b)(2) do not preclude an employee from:

(i) Acting without compensation as agent or attorney (A) for a Commission employee who is sued or is under investigation in connection with his or her official duties; (B) for any Commission employee who is the subject of disciplinary, loyalty or other personnel administrative proceedings in connection with those proceedings; or (C) for any Commission employee who raises claims or against whom allegations of wrongdoing are made pursuant to the Commission's Equal Opportunity regulations, if such representation is not inconsistent with the faithful performance of the employee's duties.¹⁴

(2) [Reserved]

(d) No member or employee shall hold office in or be a director of any company which has public security holders, except not for profit corporations, savings and loan associations, and similar institutions, whose securities are exempted under section 3(a)(4)

employees are prohibited from acting as agent or attorney in prosecuting any claim against the United States or from aiding and assisting in any way, except as otherwise permitted in the discharge of official duties, in the prosecution or support of any such claim, or from receiving any gratuity, or any share of an interest in any claim from any claimant against the United States; and from directly or indirectly receiving or agreeing to receive any compensation whatever for services rendered or to be rendered to any persons in relation to any matter in which the United States is a party or directly or indirectly interested. 18 U.S.C. 205 contains an exception from the foregoing restrictions for acting as agent or attorney, without compensation, for government employees who are the subject of disciplinary, loyalty or other personnel-type proceedings, in connection with these proceedings.

¹⁴This is adapted from the provision in 18 U.S.C. 205 and expresses the Commission's general policy which favors the representation of fellow employees without compensation. However, it may be necessary to look to other regulations for specific provisions regarding such representation.

¹²As a matter of policy, the Commission encourages members of its staff to participate in matters involving improvement to their communities and service to indigent persons, provided that the necessary approval is obtained in advance. However, in no case will approval be given to participate in matters involving securities.

¹³Attention is called to Title 18, United States Code, sections 201 through 209 which provide, among other things, that Federal

or 3(a)(5) of the Securities Act of 1933 (15 U.S.C. 77c(a)(4), 77c(a)(5)).

(e)(1) As paragraph (b)(5) of this section indicates, the Commission encourages employees to engage in teaching, lecturing and writing activities.¹⁵ It is understood, however, that Commission employees in their teaching, writing and lecturing shall not

(i) Use confidential or nonpublic information;

(ii) Make comments on pending litigation in which the Commission is participating as a party or *amicus curiae*; or

(iii) Make comments on rulemaking proceedings pending before the Commission which would adversely affect the operations of the Commission.

(2) To assist employees in conforming to these requirements the following procedure for reviewing writings prior to publication, or prepared speeches prior to delivery, has been established:

(i) Employees must submit proposed publications or prepared speeches relating to the Commission, or the statutes or rules it administers, to the General Counsel for review. Employees will be notified as promptly as possible, with due regard to publication deadlines, but in any event within 30 days of receipt of the written document, whether such document conforms to the requirements of this Rule.

(ii) A determination by the General Counsel that a proposed publication conforms to the requirements of the rule will not involve adoption of, or concurrence in, the views expressed. Therefore, such publication or speech shall include at an appropriate place or by way of footnote, or otherwise, the following disclaimer of responsibility:

The Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publication or statement by any of its employees. The views expressed herein are those of the author and do not necessarily reflect the views of the Commission or of the author's colleagues upon the staff of the Commission.

In appropriate cases, the above disclaimer may be modified by the Gen-

eral Counsel or the Commission to reflect the circumstances of an individual case. In addition, any publication or speech which reflects positions taken by the Commission shall set forth those positions accurately and, if it contains differences with Commission positions, it shall clearly state that such positions are those of the employee.

(f) An employee who intends to accept or perform any outside or private employment or professional work shall obtain necessary authorization in advance of such acceptance or performance. A request for such authorization shall be submitted to the Division Director, Office Head or Regional Director concerned, together with all pertinent facts regarding the proposed employment, such as the name of the employer, the nature of the work to be performed, its estimated duration, and the fee or compensation to be received. Division Directors, Office Heads and Regional Directors have been delegated the authority to approve routine requests for outside employment. The approving official shall forward to the Director of Personnel a copy of each request showing the date of approval. Requests of a non-routine nature should be forwarded to the Director of Personnel.

(g) The Director of Personnel, or his designee, is authorized to approve or disapprove requests for outside or private employment under this rule, except as to those cases which, in his judgment, should be considered and decided by the Commission. An employee may appeal a disapproved request to the Commission. The written appeal, submitted through the Director of Personnel, shall give reasons why the proposed outside or private employment is consistent with this rule. The Director of Personnel may not approve proposed outside or private employment which is absolutely prohibited by these rules.

¹⁵This paragraph (e), requiring review of prepared speeches or writings relating to the Commission, does not apply to teaching activities.

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17 CFR Ch. II (4-1-10 Edition)

The Commission may, in a particular case, approve such employment.¹⁶

(Pub. L. 98-38)

[45 FR 36064, May 29, 1980; 45 FR 40975, June 17, 1980; 48 FR 39216, Aug. 30, 1983; 50 FR 45603, Nov. 1, 1985; 73 FR 32226, June 5, 2008]

§ 200.735-5 Securities transactions.

(a)(1) This section applies to all transactions effected by or on behalf of a member or employee. This includes transactions for the accounts of other persons effected by the member or employee, directly or indirectly, under a power of attorney or otherwise. In addition, a member or employee is considered to have sufficient interest in the securities transactions of his or her spouse or unemancipated minor child or other member of his or her immediate household so that transactions effected by or on behalf of such persons must be reported and are subject to all the terms of this section.

(i) Except, this section shall not apply to securities transactions of a legally separated spouse living apart from the member or employee, including transactions for the benefit of a minor child, if the member or employee has no power to control and does not, in fact, advise or control with regard to such transactions. If the member or employee has knowledge of securities held by a separated spouse or for the benefit of a minor child, the disqualification provisions of Rule 6, 17 CFR 200.735-6, and 18 U.S.C. 208 are applicable.

(ii) For purposes of this section *member of his or her immediate household* means a resident of the member's or employee's household who is related to the employee by blood or marriage or who is in the legal care and/or custody of the employee by reason of adoption, prospective adoption or guardianship.

(2) Members and employees are prohibited from recommending or suggesting the purchase or sale of securities:

(i) Based on non-public information gained in the course of employment; or

(ii) Which a member or employee could not purchase because of the re-

strictions of this rule, in any circumstance in which the member or employee could reasonably expect to benefit from the recommendation, or to anyone over whom the member or employee has or may have control or substantial influence.

(b)(1) No member or employee shall effect or cause to be effected any transaction in a security except for bona fide investment purposes. Therefore, all securities purchased by a member or employee must be held for a minimum of six months. Except, this holding period is not applicable to

(i) Securities sold for less than the purchase price pursuant to a stop-loss order entered at the time of purchase and submitted to the Office of Personnel with the report of purchase;

(ii) Money market fund shares;¹⁷

(iii) Securities purchased by a member or employee prior to entrance on duty with the Commission;

(iv) Debt securities with an initial term of less than six months which are held to term; or

(v) The transferring of funds that have been held as shares in a registered investment company for a minimum of 30 days to another registered investment company within the same *family* of registered investment companies. This 30-day holding period does not apply to money market fund shares, which are exempted from the six-month holding period by paragraph (b)(1)(ii) of this section.

(2) For purposes of this provision a *family* means any two or more registered investment companies which share the same investment adviser or principal underwriter and hold themselves out to investors as related companies for purposes of investment and investor services.

(c) No member or employee shall effect any purchase or sale of an option, future contract, or option on a future contract involving a security or group of securities.

(d) No member or employee shall

(1) Carry securities on margin;

(2) Borrow funds or securities, with or without collateral, for the purpose

¹⁶The Commission does not favor the granting of waivers from the provision of this subsection.

¹⁷For purposes of this section a *money market fund* is defined as a registered open-end fund that complies with §270.2a-7 of this chapter.

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of purchasing or carrying securities with the proceeds, unless the prior approval of the Commission has been secured; or

(3) Sell a security which he or she does not own, or consummate a sale by the delivery of a security borrowed by or for such member's or employee's account.

(e)(1) Except as provided in this paragraph (e) or paragraph (f) below, members and employees are prohibited from purchasing or selling any security which is the subject of a registration statement filed under the Security Exchange Act of 1934 (15 U.S.C. 78a *et seq.*), the Securities Act of 1933 (15 U.S.C. 77a *et seq.*), or a letter of notification filed under Regulation A, or any security of the same issuer while such a registration statement or letter of notification is pending or during the first 60 days after its effective date. This prohibition shall not apply to:

(i) A security which is the subject of a pending registration statement filed on Forms S-2, S-3, S-8, F-2, F-3, 8-A, or 8-B; or

(ii) Offerings, except initial public offerings, of shares by an investment company, other than a closed-end investment company, or to offerings by a registered separate account (as defined in section 1(a)(37) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(37)) which become effective pursuant to 17 CFR 230.485(b).

(2) Securities of a unit investment trust whose registration statements become effective pursuant to 17 CFR 230.487 may be purchased immediately upon effectiveness of the registration statement.

(3) Securities which are registered for delayed distribution pursuant to 17 CFR 230.415 may be purchased 60 days after the registration becomes effective. The subsequent filing of a pricing amendment or sticker does not revive the prohibition on purchase.

(f) A member or employee may sell a security which is referred to in paragraph (e) of this section only if:

(1) The member or employee certifies that he or she has no information which is not publicly available concerning or relating to the issuer; and

(2) The employee's Division Director, Office Head or Regional Director cer-

tifies that the employee has not participated in the registration processing. Members, Division Directors, Office Heads, and Regional Directors are required to submit such certification on their own behalf to the Director of the Office of Personnel.

(g) No member or employee shall purchase any security which to his or her knowledge is involved in any pending investigation by the Commission, or in any proceeding before the Commission, or to which the Commission is a party.

(h) No member or employee shall purchase any security of any company which is in a receivership or bankruptcy proceeding in which the Commission has filed a notice of appearance.

(i) No member or employee shall purchase securities of:

(1) Any holding company registered under section 5 of the Public Utility Holding Company Act of 1935 (15 U.S.C. 79e), or any subsidiary thereof, or

(2) Any company, if its status under such Act, or the applicability of any provision of the Act to it, is known by the employee to be under consideration.

(j) The restrictions imposed in paragraphs (e), (g), (h), and (i) of this section do not apply;

(1) To the exercise of a privilege to convert or exchange securities;

(2) To the exercise of rights accruing unconditionally by virtue of ownership of other securities (as distinguished from a contingent right to acquire securities not subscribed for by others);

(3) To the acquisition and exercise of rights in order to round out fractional shares;

(4) To the acceptance of stock dividends on securities already owned; to the reinvestment, under a reinvestment program, of cash dividends on a security already owned; or the participation in a periodic investment plan for the purchase of a security when the original purchase was consistent with the provisions of this rule; or

(5) Investments in funds established pursuant to the Federal Employees Retirement System.

(k) Members and employees holding a Senior Executive Service position in

the Division of Investment Management or the Office of Compliance Inspections and Examinations may make discretionary investments in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a *et seq.*, provided that the registered investment company is diversified pursuant to section 5(b)(1) of the Investment Company Act of 1940, 15 U.S.C. 80a-5(b)(1). The Directors of the Division of Investment Management and the Office of Compliance Inspections and Examinations, in consultation with the Office of the General Counsel, shall determine in writing whether Senior Executive Service positions in their respective Division or Office whose duties do not include fund matters also may invest in non-diversified registered investment companies.

(1) No member or employee shall have a beneficial interest in any broker, dealer or investment adviser through ownership of securities or otherwise. However, if a corporation acquires or establishes a subsidiary or affiliate subject to regulation by the Commission (*regulated entity*),

(1) A member or employee may retain his or her existing holdings in the corporation, provided the security was originally acquired in compliance with the provisions of this rule or prior to entry on duty with the Commission.

(2) Purchases of the corporation's shares will be permitted so long as the regulated entity subsidiary or affiliate provides less than 10% of the corporation's gross revenue. Except for reinvestment of cash dividends, additional purchases are prohibited when the regulated entity provides 10% or more of the corporation's gross revenues.

(3) A member or employee who owns shares in a corporation with a regulated entity subsidiary or affiliate is disqualified from participating in any matter including rulemaking which affects the regulated entity unless the disqualification is waived in accordance with the provisions of Rule 6, of this section, 17 CFR 200.735-6, and 18 U.S.C. 208(b).

(m)(1) Annually, in accordance with the procedures adopted by the Director of Personnel, every member and employee shall furnish the Director of

Personnel with a complete list of all securities in which he or she has an interest. Employees having no interests in securities and required to so state.

(2) Except as provided in paragraphs (m)(3) and (m)(4) of this section, members and employees shall report every acquisition or sale of any security within five business days of the transaction date or date confirmation is received. (Reports submitted by employees in field offices must be placed in the mails within five business days of the transaction date or date the confirmation is received for each transaction.)

(3) Members and employees shall report only the initial purchase and final sale of shares in a money market fund.

(4) Changes in holdings, other than by purchase, which do not affect disqualification, such as those resulting from the automatic reinvestment of dividends, stock splits, stock dividends or reclassifications, may be reported on the annual statement rather than when notification of the transaction is received. But, the acquisition of holdings by, for example, gifts, inheritance or spin-offs, which may result in additional disqualifications pursuant to Rule 6 of this section, 17 CFR 200.735-6, and 18 U.S.C. 208 shall be reported within five days of the receipt of the notice of the change in holdings.

(n) At the time of taking the oath of office, or prior thereto if requested by the Director of Personnel, a new member or employee shall provide to the Office of Personnel, as requested, information relating to—

(1) Securities owned by or held for the benefit of him or her, or his or her spouse or unemancipated minor child, or a member of his or her immediate household, or by any trust or estate of which he or she is a trustee or other fiduciary or beneficiary, or by any person for whom he or she effects transactions under a power of attorney or otherwise;

(2) Accounts with securities firms;

(3) Close relatives (*i.e.*, children, parents, grandparents, siblings, aunts, uncles, or like relations of a spouse), who are partners or officers of securities firms, investment advisers, or registered public utility holding companies or their affiliates;

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(4) The holding of office in or being a director of any company which has public security holders; and

(5) Such other information as may be required by the Director of Personnel.

Employees are required to advise the Office of Personnel of changes in the foregoing information within ten business days of the time the new information is learned.

(o) Paragraphs (b), (m), and (n) of this section do not apply to personal notes, individual real estate mortgages, securities issued by the U.S. Government or its agencies, and securities issued by building and loan associations or cooperatives.

(p) Any member or employee who is a trustee or other fiduciary or a beneficiary of a trust or estate holding securities not exempted by paragraph (o) of this section, shall report the existence and nature of such trust or estate to the Director of Personnel. The transactions of such trust or estate, which is not a qualified blind trust, shall be subject to all the provisions of this section except if the member or employee did not create the trust, is solely a beneficiary, has no power to control, and does not in fact control or advise with respect to the investments of the trust or estate, unless the Commission shall otherwise direct in view of the circumstances of the particular case.

(q) The Director of Personnel, or his designee, is authorized to require the disposition of securities acquired as a result of a violation of the provisions of this section, whether unintentional or not. Repeated violations shall be reported to the Commission for appropriate action.

(r) Any member or employee who believes that the application of any of the provisions of this rule will result in undue hardship in a particular case may make a written application to the Commission (through the Director of Personnel) setting out, in detail, the reasons for that belief and requesting a waiver. However, as a matter of policy the Commission favors a strict interpretation of the provisions of this rule.

[53 FR 18553, May 24, 1988, as amended at 59 FR 43464, Aug. 24, 1994; 60 FR 52626, Oct. 10, 1995; 69 FR 21058, Apr. 20, 2004; 73 FR 32226, June 5, 2008]

§ 200.735-6 Action in case of personal interest.

Any employee assigned to work on any application, filing or matter of a company (a) in which he or she or his or her spouse or his or her minor unemancipated child then owns any securities or has a personal interest, including a continuing financial interest in a pension or retirement plan, shared income, or other arrangement, as a result of any current or prior employment or business or professional association; or (b) with which he or she has been employed or associated in the past 5 years; or (c) which was a client of a firm with which he or she had been associated, shall immediately advise his or her Division Director or other Office Head or Regional Director of the fact. Division Directors, Office Heads and Regional Directors are authorized to direct the reporting employee to continue with the assignment in question where this appears in the interest of the Government, taking into account (1) the prohibitions stated in § 200.735-3(b) (7) and (8); (2) the general desirability of avoiding situations that require a question of conflict of interest to be resolved; (3) the extent to which the employee's activities will be supervised; and (4) the difficulty of assigning the matter to some other employee. Where the employee in question is not relieved of the assignment, his or her written report concerning the nature of his or her interest shall be forwarded to the Director of Personnel with a notation that he or she has been directed to continue the assignment, together with such explanation, if any, as may seem appropriate. In the event that a Division Director, Office Head or Regional Director deems that he or she has, himself or herself, such a personal interest in an application, filing or matter of a company as may raise a question as to his or her disinterestedness, he or she may delegate his or her responsibility with regard thereto to a subordinate, but in that event shall submit a brief

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memorandum of the circumstances to the Director of Personnel.¹⁸

[45 FR 36064, May 29, 1980; 45 FR 40975, June 17, 1980; 73 FR 32226, June 5, 2008]

§ 200.735-7 Negotiation for employment.

(a) An employee may not negotiate employment with anyone outside the Commission with whom he or she is personally transacting business in any matter on behalf of the Commission or the United States, or while he or she is immediately or personally engaged in representing the Commission in any matter in which the prospective employer is a participant or witness or counsel for such a person, whether or not such a person takes a substantive position in an adversary proceeding in opposition to the Commission's position.

(b) An employee who wishes to negotiate employment with another Government agency at a time when he or she is representing the Commission in a particular matter in which the other Government agency is taking a position adverse to the Commission should disclose this intention to his or her Division Director, Office Head or Regional Administrator prior to taking any action.

(c) No employee shall undertake to act personally on behalf of the Commission in any capacity in a matter¹⁹

¹⁸ 18 U.S.C. 208, provides among other things, that a member or employee is prohibited from participating personally and substantially in any matter in which to his knowledge, he, his spouse, minor child, partner, organization in which he is serving as an officer, director, trustee, partner or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. This section (of the Criminal Code) does not apply if the employee has received a written determination made by an authorized official that the interest is not so substantial as to be deemed likely to affect the integrity of the employee's service. Note: Members of the Commission may follow the procedural provision contained in Part V, Section 503 of the Executive Order 11222.

¹⁹ Employees should bear in mind that in this connection the word *matter* is construed very broadly. See 200.735-8 and footnote 20, *thereto, infra*.

that, to his or her knowledge, affects even indirectly any person or organization outside the Commission with whom he or she is discussing or entertaining any proposal for future employment, except pursuant to the direction of the Commission, his or her Division Director, Office Head, or Regional Administrator, as provided in § 200.735-6. See footnote 18.

§ 200.735-8 Practice by former members and employees of the Commission.

(a)(1) No person shall appear in a representative capacity before the Commission in a particular matter if such person, or one participating with him or her in the particular matter, participated personally and substantially in that matter while he or she was a member or employee of the Commission.²⁰ As used in this rule, a *matter* means a discrete and isolatable transaction or set of transactions between identifiable parties.²¹

²⁰ As used in this paragraph, a single investigation or formal proceeding, or both if they are related, shall be presumed to constitute a particular matter for at least 2 years irrespective of changes in the issues. However, in cases of proceedings in which the issues change from time to time, such as proceedings involving compliance with section 11 of the Public Utility Holding Company Act (15 U.S.C. 79k), this paragraph shall not be construed as prohibiting appearance in such a proceeding, more than two years after ceasing to be a member or employee of the Commission, unless it appears to the Commission that there is such an identity of particular issues or pertinent facts as to make it likely that confidential information, derived while a member or employee of the Commission, would have continuing relevance to the proceeding, so as to make participation therein by the former member or employee of the Commission unethical or prejudicial to the interests of the Commission.

²¹ This definition is taken from Formal Opinion 342 of the ABA Ethics Committee. The opinion states that "work as a government employee in drafting, enforcing or interpreting government or agency procedures, regulations or laws, or in briefing abstract principles of law, does not disqualify the lawyer under DR9-101B (which states 'a lawyer shall not accept private employment in a matter in which he had substantial responsibility while he was a public employee') from subsequent private employment involving

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(2) No person who has been a member or employee shall, within 2 years after his or her employment has ceased, assist, by personal presence, a person appearing in a representative capacity before the Commission in any matter in which he or she participated personally and substantially while a member or employee of the Commission at any time within a period of 1 year prior to the termination of such responsibility.

(3) No person who has been a member or an employee shall, within 2 years after his or her employment has ceased, appear in a representative capacity before the Commission in any matter which was under his or her official responsibility as a member or employee of the Commission at any time within a period of 1 year prior to the termination of such responsibility. The term *official responsibility* as defined in 18 U.S.C. 202 means the "direct administrative or operating authority, whether intermediate or final, and either exercisable alone or with others, and either personally or through subordinates, to approve, disapprove, or otherwise direct Government action."

(4) No employee in a position which is designated by the Director of the Office of Government Ethics shall, within one year after his or her employment has ceased, appear in a representative capacity before the Commission or communicate with the Commission or its employees with the intent to influence.²² This restriction does not apply to members who ceased employment before July 1, 1979, or to employees who ceased employment prior to February 28, 1980.

(b)(1) Any former member or employee of the Commission who, within 2 years after ceasing to be such, is employed or retained as the representative of any person outside the Government in any matter in which it is contemplated that he or she will appear before the Commission, or communicate with the Commission or its employees, shall, within ten days of such retainer or employment, or of the time when appearance before, or commu-

nication with the Commission or its employees is first contemplated, file with the Secretary of the Commission a statement which includes:

(i) A description of the contemplated representation;

(ii) An affirmative representation that the former employee while on the Commission's staff had neither personal and substantial responsibility nor official responsibility for the matter which is the subject of the representation; and

(iii) The name of the Commission Division or Office in which the person had been employed.

(2) Employment of a recurrent character may be covered by a single comprehensive statement. Each such statement should include an appropriate caption indicating that it is filed pursuant to this section. The reporting requirements of this paragraph do not apply to

(i) Communications incidental to court appearances in litigation involving the Commission; and

(ii) Oral communications concerning ministerial or informational matters or requests for oral advice not otherwise prohibited by paragraph (a) of this section.

(c) As used in this section, the term *appear before the commission* means physical presence before the Commission or its employees in either a formal or informal setting or the conveyance of material in connection with a formal appearance or application to the Commission. As used in this section the term *communication with intent to influence* does not encompass communications which are not for the purpose of influencing the Commission or any of its employees or which, at the time of the filings, are reasonably believed not to involve any potential controversy. As used in this section, the term *representative* or *representative capacity* shall include not only the usual type of representation by an attorney, etc., but also representation of a corporation in the capacity of an officer, director or controlling stockholder thereof.

(d)(1) Partners or associates of any person disqualified from appearing or practicing before the Commission in a particular matter by paragraph (a)(1)

the same regulation procedures, or points of law * * *."

²²This prohibition appears in the Ethics in Government Act of 1978. Pub. L. 95-521.

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of this section are also disqualified. Such partners or associates (the *firm*) may request a waiver of this prohibition from the Commission by writing a letter to the General Counsel of the commission setting forth the facts of the proposed representation and the individual's disqualification. In appropriate situations, a firm may request a generic waiver with respect to a number of different matters. Upon the advice of the Office of the General Counsel, the Commission, or the General Counsel exercising delegated authority, will advise the requestor of the Commission's response.

(2) Waivers ordinarily will be granted where the firm makes a satisfactory representation that it has adopted screening measures which will effectively isolate the individual lawyer disqualified under paragraph (a)(1) of this section from participating in the particular matter or matters and from sharing in any fees attributable to it. It will be considered significant for purposes of this determination that:

(i) The firm had a pre-existing securities law practice prior to the arrival of the disqualified attorney;

(ii) The matter was previously the subject of consideration by the firm or the client was already advised by the firm;

(iii) In cases where the matter or client became the subject of consideration by the firm subsequent to the firm's employment of the lawyer individually disqualified, that the matter was not brought to the firm because of the disqualified attorney.

(3) Notwithstanding the existence or non-existence of any of these factors, no waiver will be issued if the proposed representation would create a significant appearance of impropriety or would otherwise adversely affect the interests of the government.²³ All pro-

²³ For example, no waiver will be granted if, during the course of representing a client who has an interest with respect to a matter before the Commission, a firm employs, or accepts as a partner, a member of the staff or of the Commission who at any time during the course of that representation had direct and substantial responsibility for the same matter, and whose departure would result in a significant adverse impact upon that matter at the Commission.

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ceedings with respect to waivers shall be a matter of public record except to the extent that such public disclosure might violate attorney-client privilege or breach the attorney's obligation to preserve the confidences and secrets of this or her clients, reveal the existence of ongoing private investigations, interfere with law enforcement proceedings, or otherwise be inconsistent with the public interest.

(e) Persons in doubt as to the applicability of any portion of this section may apply for an advisory ruling of the Commission.²⁴

[45 FR 36064, May 29, 1980, as amended at 50 FR 23669, June 5, 1985]

§ 200.735-9 Indebtedness.

(a) The Securities and Exchange Commission considers the indebtedness of its members and employees to be essentially a matter of their own concern and will not be placed in the position of acting as a collection agency or of determining the validity or amount of contested debts. Nevertheless, failure on the part of an employee without good reason and in a proper and timely manner to honor debts acknowledged by him or her to be valid, or reduced to judgment by a court, or to make or to adhere to satisfactory arrangements for the settlement thereof, may be a cause for disciplinary action. In this connection each member and employee is expected to meet his or her responsibilities for payment of Federal, State and local taxes. For purposes of this section, *in a proper and timely manner* means in a manner which the agency determines does not, under the circumstances, reflect adversely on the Government as his or her employer.

(b) Compensation due members and employees is subject to garnishment for child support and alimony obligations. (42 U.S.C. 659).

§ 200.735-10 Miscellaneous statutory provisions.

Each member and employee is responsible for acquainting himself or

²⁴ Attention of former members and employees is directed to Formal Opinion 342 of the Committee on Ethics of the American Bar Association, 62 A.B.A.J. 517 (1975) and to 18 U.S.C. 207.

herself with each statute that relates to his or her ethical and other conduct as a member or employee of the Commission and of the Government, including the statutory provisions listed below. Violations of any of these statutes are deemed to be violations of the rules in this subpart M as well.

(a) House Concurrent Resolution 175, 85th Congress, 2d Session, 72 Stat. B12, the “Code of Ethics for Government Service.”

(b) Chapter 11 of title 18 U.S.C., relating to bribery, graft, and conflicts of interest, as appropriate to the employees concerned.

(c) The prohibition against lobbying with appropriated funds (18 U.S.C. 1913).

(d) The prohibition against disloyalty and striking (5 U.S.C. 7311, 18 U.S.C. 1918).

(e) The prohibition against (1) the disclosure of classified information (18 U.S.C. 798, 50 U.S.C. 783); and (2) disclosure of confidential information (18 U.S.C. 1905).

(f) The provision relating to the habitual use of intoxicants to excess (5 U.S.C. 7352).

(g) The prohibition against the misuse of a Government vehicle (31 U.S.C. 638a(c)).

(h) The prohibition against the misuse of the franking privilege (18 U.S.C. 1719).

(i) The prohibition against the use of deceit in an examination or personnel action in connection with Government employment (18 U.S.C. 1917).

(j) The prohibition against fraud or false statements in a Government matter (18 U.S.C. 1001).

(k) The prohibition against mutilating or destroying a public record (18 U.S.C. 2071).

(l) The prohibition against counterfeiting and forging transportation requests (18 U.S.C. 508).

(m) The prohibition against (1) embezzlement of Government money or property (18 U.S.C. 641); (2) failing to account for public money (18 U.S.C. 643); and (3) embezzlement of the money or property of another person in the possession of an employee by reason of his employment (18 U.S.C. 654).

(n) The prohibition against unauthorized use of documents relating to

claims from or by the Government (18 U.S.C. 285).

(o) The prohibition against political activities in subchapter III of chapter 73 of title 5 U.S.C. and 18 U.S.C. 602, 603, 607, and 608.

(p) The prohibition against an employee acting as the agent of a foreign principal registered under the Foreign Agents Registration Act (18 U.S.C. 219).

§ 200.735-11 Statement of employment and financial interests.

(a) Members and employees in the Senior Executive Service or Grades GS-16 through GS-18 are required to file a financial disclosure report as provided by title II of the Ethics in Government Act of 1978, Pub. L. 95-521. Members and such employees need not also file the statement of employment and financial interests required by the following provisions.

(b) Prior to the time of entry on duty, or upon designation to a position set forth in paragraph (c) of this section, such employee shall submit to the Director of Personnel a statement, on the official form made available for this purpose through the Office of Personnel, setting forth the following information:²⁵

(1) A list of the names of all corporations, companies, firms, or other business enterprises, partnerships, non-profit organizations, and educational or other institutions with or in which the employee, his or her spouse, unemancipated minor child or other member of his or her immediate household has—

(i) Any connection as an employee, officer, owner, director, member, trustee, partner, adviser or consultant; or

(ii) Any continuing financial interest, through a pension or retirement plan, shared income, or other arrangement as a result of any current or prior employment or business or professional association.

(iii) Any financial interest through the ownership of stock, stock options, bonds, securities, or other arrangements including trusts.

²⁵ In addition to the information required by this Rule, all employees are required by Rule 5 to file annually with the Director of Personnel a listing of their securities holdings.

(2) A list of the names of the employee's creditors and the creditors of his or her spouse, unemancipated minor child or other member of his or her immediate household, other than those creditors to whom any such person may be indebted by reason of a mortgage on property which he or she occupies as a personal residence, or to whom such person may be indebted for current and ordinary household and living expenses such as those incurred for household furnishings, vacations, an automobile, education, or the like.

(3) A list of the employee's interests and those of his or her spouse, unemancipated minor child, or other member of his or her immediate household in real property or rights in lands, other than property which he or she occupies as a personal residence.

(4) For the purpose of this section, *member of his or her immediate household* means a resident of the employee's household who is related to the employee by blood or marriage.

(5) In the instance where a spouse is not a *member of the employee's immediate household*, and the employee certifies he or she neither derives nor expects to derive any economic benefit from the holdings of the spouse, the Director of Personnel may waive the requirement of reporting the interests of such spouse.

(c) Except as to employees noted in paragraph (a) of this section, statements of employment and financial interests are required of the following:

(1) All employees in grade GS-15.

(2) Incumbents of the following positions, regardless of grade:

(i) Executive Staff. (A) Legal Assistants to the Chairman and to each Commissioner; (B) Special Counsels to the Chairman.

(ii) Employees serving under SEC Fellowship Programs.

(iii) All employees engaged in any aspect of Government contracting or procurement activities.

(iv) Division, Office, Directorate

(A) Directors

(B) Deputies

(C) Associates

(D) Assistants

(E) Chief Counsels

(v) Regional Offices

(A) Directors

(B) Associate Directors

(C) Assistant Directors

(d) Changes in, or additions to, the information contained in an employee's statement of employment and financial interests shall be reported in a supplementary statement as of May 15 of each year. If no changes or additions occur, a negative report is required. Notwithstanding the filing of the annual report required by this paragraph, each employee shall at all times avoid acquiring a financial interest that could result, or taking an action that would result, in a violation of the conflict-of-interest provisions of section 208 of title 18 U.S.C., or of this Conduct Regulation.

(e) If any information required to be included on a statement of employment and financial interest or supplementary statement, including holdings placed in trust, is not known to the employee but is known to another person, the employee shall request that other person to submit information in his or her behalf.

(f) Paragraph (c) of this section does not require an employee to submit any information relating to his or her connection with, or interest in, a non-profit educational, charitable, religious, professional, social, fraternal, recreational, public service, civic, or political organization, or a similar organization not conducted as a business enterprise. For the purpose of this section, educational and other institutions doing research and development or related work involving grants of money from or contracts with the Government are deemed *business enterprises* and are required to be included in an employee's statement of employment and financial interests.

(g) Statements of employment and financial interests filed pursuant to paragraph (c) of this section shall be sent to the Director of Personnel in a sealed envelope marked "Confidential Employment and Financial Interests." They shall be maintained in a confidential file. Only those officials of the Commission whose participation is necessary for the carrying out of the purpose of this Conduct Regulation may have access to such statements and no information may be disclosed from them except as the Commission

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or the Office of Personnel Management may determine for good cause shown.

(h) In accordance with the requirements of the Ethics in Government Act of 1978, Pub. L. 95-521, the Director of Personnel or the Assistant Director of Personnel shall review the financial disclosure reports filed pursuant to that Act.

(i) The Director of Personnel or the Assistant Director of Personnel shall examine the statements of employment and financial interests filed pursuant to paragraph (c) of this section to determine whether conflicts of interest or apparent conflicts of interest on the part of employees exist. An employee shall be afforded the opportunity to explain any conflict or appearance of conflict. When the Director or Assistant Director of Personnel, in consultation with appropriate superiors of the employee involved, is unable to resolve a conflict or appearance of conflict, he or she shall report the matter to the Commission through the Counselor for the Commission designated under § 200.735-15(a).

(j) The Counselor for the Commission shall examine statements filed by the Director of Personnel and the Assistant Director of Personnel.

(k) Except as otherwise provided in paragraph (a) of this section the statement of employment and financial interests and supplementary statements required of employees are in addition to, and not in substitution for, or in derogation of, any similar requirement imposed by law, order or regulation. The submission of a statement by an employee does not permit him or her or any other person to participate in a matter in which his or her or the other person's participation is prohibited by law, order or regulation.

(l) An employee has the right to ask for a review through the Commission's grievance procedure outlined in section 771, Part II, Manual of Administrative Regulations, of a complaint that his or her position has been improperly included under the provisions of this section as one requiring the submission of a statement of employment and financial interests.

[45 FR 36064, May 29, 1980; 45 FR 40975, June 17, 1980, as amended at 73 FR 32226, June 5, 2008]

§ 200.735-12 Special Government employees.

(a) Special Government employee means a person defined in section 18 U.S.C. 202 as a *special Government employee*. All of the provisions of this Conduct Regulation are applicable to special Government employees, except that in specific appropriate cases the Commission may exempt such employees from, or modify the applicability of, any portion of any provision of the Conduct Regulation.

(b) In no event will the Commission waive a provision of the Conduct Regulation which would permit a special Government employee to:

(1) Use his or her Government employment for a purpose that is, or gives the appearance of being, motivated by the desire for private gain for himself or another person, particularly one with whom he or she has family, business, or financial ties.

(2) Use inside information obtained as a result of his or her Government employment for private gain for himself or herself or another person either by direct action on his or her part or by counsel, recommendation, or suggestion to another person, particularly one with whom he or she has family, business, or financial ties. For purposes of this paragraph, *inside information* means information obtained under Government authority which has not become part of the body of public information.

(3) Use his or her Government employment to coerce, or give the appearance of coercing, a person to provide financial benefit to himself or herself or another person, particularly one with whom he or she has family, business, or financial ties.

(4) Receive or solicit from a person having business with the Commission anything of value as a gift, gratuity, loan, entertainment, or favor for himself or herself or another person, particularly one with whom he or she has family, business or financial ties.

(c) Prior to entrance on duty, each special Government employee shall submit to the Director of Personnel a statement of employment and financial

interests which contains such information as the Director of Personnel determines is relevant in the light of the duties the special Government employee is to perform and, if appropriate, the financial disclosure report as provided by title II of the Ethics in Government Act of 1978, Pub. L. 95-521. It shall be kept current throughout the period of employment by the filing of supplementary statements in accordance with the requirements of § 200.735-11(d). Statements shall be on the official form made available for this purpose through the Office of Personnel.

(d) The Commission may waive the requirement of paragraph (c) of this section in the case of a special Government employee who is not a *consultant* or an *expert*, as those terms are defined in chapter 304 of the Federal Personnel Manual (5 CFR 735.304), if the duties of the position are determined to be at a level of responsibility which does not require the submission of such statement to protect the integrity of the Commission.

§ 200.735-13 Disciplinary and other remedial action.

(a) Knowing participation in a violation of this subpart by persons not within the scope of the foregoing rules in this subpart shall likewise be deemed improper conduct and in contravention of Commission rules. Departure from any of the rules in this subpart by employees or special Government employees without specific approval may be cause for appropriate remedial and/or disciplinary action or, in the case of former members, employees, and special Government employees, for disqualification from appearing and practicing before the Commission, which may be in addition to any penalty prescribed by law.

(b) When there has been a departure from any of the rules of this subpart without specific approval or when a conflict of interest or an apparent conflict of interest on the part of an employee or special Government employee arises, the Director of Personnel may order immediate action to end such conflict or appearance of conflict of interest. Remedial action may include, but is not limited to (1) changes in assigned duties; (2) divestment by

the employee or special Government employee of his conflicting interest; (3) disciplinary action; or (4) disqualification for a particular assignment. Remedial action, whether disciplinary or otherwise, shall be effected in accordance with any applicable laws, Executive Orders, and regulations. The Director of Personnel may refer any recommended action to the Commission. The employee may obtain review by the Commission of any action ordered to be taken by the Director of Personnel. During the period of review, unless otherwise directed by the Commission, the action ordered by the Director of Personnel is stayed.

(c) Former members or employees who violate the post-employment restriction provisions of 18 U.S.C. 207(a), (b) or (c), which parallel the provisions of Rule 8(a), *supra*, will be subject to an administrative enforcement proceeding as set forth in Rule 102(e) of the Commission's Rules of Practice, § 201.102(e) of this chapter, except that, when proceedings are brought to determine if violations of post-employment restrictions have occurred, denial of the privilege of appearing and practicing before the Commission will be based on a finding of violation of the provisions of Rule 8(a) and 18 U.S.C. 207 (a), (b) and (c). Procedures applicable to such administrative proceedings are to be found in the Commission's Rules of Practice, 17 CFR 201.100 *et seq.*

[45 FR 36064, May 29, 1980, as amended at 60 FR 32795, June 23, 1995]

§ 200.735-14 Employees on leave of absence.

The provisions of the rules in this subpart relative to employees of the Commission are applicable to employees on a leave with pay or a leave without pay status other than extended military service.

§ 200.735-15 Interpretive and advisory service.

(a) The General Counsel shall be designated *Counselor for the Commission* and shall serve as the Commission's delegate to the Office of Personnel Management on matters covered by the rules in this subpart. The General Counsel shall be responsible for coordinating the Commission's counseling

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services provided under this section and for assuring that counseling and interpretations on questions of conflicts of interest and other matters covered by the rules in this subpart are available to all members and employees.

(b) There shall be designated as Deputy Counselors the Director of Personnel, the Regional Director of each regional office, and the person in charge of each branch office. The General Counsel or his or her designee shall provide guidance to the Deputy Counselors for the purpose of achieving uniform interpretations of this subpart.

(c) A member, employee, or former member or employee may obtain advice or guidance on the application of the rules in this subpart from any Deputy Counselor or the General Counsel. In addition, any former member or employee seeking advice or an interpretation relating to the Ethics in Government Act shall submit his or her request to the General Counsel.

(d) The General Counsel and Deputy Counselors will treat information they receive pursuant to requests for advice or guidance under this Rule on a confidential basis, except that information they receive indicating a possible past violation of any provision of this Conduct Regulation or of the law will be brought to the attention of appropriate persons.

(e) The Director of Personnel shall furnish a copy of this Conduct Regulation (subpart M) to each member, employee and special Government employee immediately upon his or her entrance on duty and shall thereafter, annually, and at such other times as circumstances warrant, bring to the attention of each member, employee and special Government employee this Conduct Regulation (subpart M) and all revisions thereof.

(f) The Director of Personnel shall notify each member, employee and special Government employee at the time of entrance on duty, and from time to time thereafter, of the availability of counseling services and of how and where these services are available.

[45 FR 36064, May 29, 1980, as amended at 73 FR 32227, June 5, 2008]

§ 200.735-16 Delegation.

Any official responsibility assigned to a person in a particular position pursuant to this subpart may be delegated by such person to any other person.

§ 200.735-17 Administration of the conduct regulation.

Under the general direction of the Executive Director, the Director of Personnel is responsible for the day-to-day administration of this conduct regulation except where otherwise provided.

§ 200.735-18 Requests for waivers.

Unless a different procedure is specifically prescribed in a rule of this part, an employee may submit a request for a waiver, modification or postponement of a requirement included in this part to the Chairman. Such waiver, modification or postponement may be granted if it is determined by the Chairman that such waiver, modification or postponement would not adversely affect the interest of the Commission or the United States. Any such waiver, modification or postponement granted by the Chairman shall be made available to the public. The Chairman may submit any request made pursuant to this rule to the Commission for its consideration. Any Commission action on such request shall be made public only in the discretion of the Commission. Requirements included in this part which implement any provision of Federal law, regulation or Executive Order generally applicable to the Executive Branch shall not be waived under this provision.

Subpart N—Commission Information Collection Requirements Under the Paperwork Reduction Act: OMB Control Numbers

AUTHORITY: 44 U.S.C. 3506; 44 U.S.C. 3507.

SOURCE: 67 FR 14634, Mar. 27, 2002, unless otherwise noted.